Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

UNCLASSIFIED

PAGE 01 LISBON 01724 041939Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01
/092 W
----------050925Z 026968 /21
R 041319Z MAR 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0414
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
AMEMBASSY LONDON
AMCONSUL OPORTO
AMEMBASSY PARIS
USMISSION OECD PARIS
AMCONSUL PONTA DELGADA

UNCLAS LISBON 1724

DEPARTMENT PASS TREASURY FOR SYVRUD AND EXIM FOR ALBRIGHT

E.O. 11652: N/A
TAGS: EFIN, PO
SUBJ: MEASURES TO RESTORE FINANCIAL HEALTH OF TWO BANKS

REF: LISBON 1671

1. TWO COUNCIL OF MINISTERS RESOLUTIONS PUBLISHED IN FEB. 28 DIARIO DE REPUBLICA ARE DISIGNED TO RESTORE FINANCIAL HEALTH OF TWO NATIONALIZED BANKS, BANCO BORGES E IRMAO AND BANCO PINTO DE MAGALHAES. PREAMBLE TO ONE RESOLUTION NOTES THAT BOTH BANKS, IN ADDITION TO CARRYING LARGE VOLUME OF APPARENTLY UNRECOVERABLE LOANS, SUFFERED SUBSTANTIAL LOSSES IN 1975.

2. BANCO BORGES E IRMAO HAD BEEN LINCHPIN OF "BORGES E IRMAO"
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 01724 041939Z

FINANCIAL/INDUSTRIAL GROUP CONTROLLED BY MIGUEL QUINA. ACCORDING TO RESOLUTION, BANK LOANED MORE THAN 4.5 BILLION ESCUDOS ($176.1 MILLION AT 1975 RATE) FO FINANCE CONGLOMERATE'S REAL ESTATE AND STOCK PURCHASES. IN ADDITION, IT CLAIMED BANK'S PRE-1975 PROFITS EXCEEDED REAL PROFIT LEVELS BY 864.2 MILLION ESCUDOS (NOTE: THE DOLLAR EQUIVALENT WOULD DEPEND ON PERIOD COVERED.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

AAT 25 ESC/DOLLAR, FIGURE WOULD EQUAL $34.6 MILLION).

3. BANCO PINTO DE MAGALHAES WAS CENTER OF SMALLER OPORTO-
BASED GROUP OWNED BY FAMILY OF SAME NAME.
RESOLUTION CHARGES THAT BANK, WHOSE BOND AND STOCK
PORTFOLIO EXEEDED LEGAL LIMITS, HAD LOANED 1.1 BILLION
ESCUDOS ($43 MILLION AT 1975 RATE) TO BANK'S PRESIDENT,
AFONSO PINTO DE MAGALHAES.

4. COUNCIL'S RESOLUTION'S ANNOUNCED FOLLOWING MEASURES:

-- BANCO BORGES E IRMAO WILL REDUCE ITS CAPITAL BY
400 MILLION ESCUDOS ($10.3 MILLION), TO COVER MOST
OF 1975 LOSS, THEN RECEIVE CAPITAL INFUSION OF
1.25 BILLION ESCUDOS ($32.3 MILLION) FROM CENTRAL
GOVERNMENT BUDGET)

-- BANCO PINTO DE MAGALHAES WILL REDUCE ITS CAPITAL
BY 210 MILLION ESCUDOS ($5.4 MILLION) TO COVER PART OF ITS
1975 LOSS, THEN RECEIVE CAPITAL INFUSION OF 440
MILLION ESCUDOS ($11.4 MILLION) FROM CENTRAL
GOVERNMENT BUDGET; AND

-- APPARENTLY UNRECOVERABLE CREDITS (AS WELL AS UNRECOVERABLE
LOSSES OF BANCO INTERCONTINENTAL PORTUGUES (BIP)--SEE REFTEL)
WILL BE TRANSFERRED TO A NON-BANKING FINANCIAL INSTITUTION
THAT WILL BE CREATED. IN RETURN, BANKS RECEIVE BONDS BEARING
TOTAL INTEREST OF 11.5 PERCENT, AND VALUED AT NOMINAL AMOUNT
OF LOANS PLUS INTEREST DUE THROUGH DECEMBER 31, 1975.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LISBON 01724 041939Z

5. COMMENT: FINANCIAL CONDITION OF THE TWO BANKS
(AS WELL AS BIP) APPARENTLY PROVED TO BE AS SERIOUS
AS RUMORED. CAPITAL INFUSIONS OF 1.7 BILLION ESC.
$43.7 MILLION), AND POSSIBLY 11.6 BILLION ESCUDOS
$300 MILLION) IN UNRECOVERABLE DEBTS, SIGNIFY HEAVY
ADDITIONAL BURDENS ON GOP'S BUDGET.
CARLUCCI

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, RESOLUTIONS, BANKS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON01724
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770076-0835
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770393/aaaaddxm.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fac1adbd-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 LISBON 1671
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3209256
Secure: OPEN
Status: NATIVE
Subject: MEASURES TO RESTORE FINANCIAL HEALTH OF TWO BANKS
TAGS: EFIN, PO
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/fac1adbd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009